HOUSING MARKET OUTLOOK

Canada Mortgage and Housing Corporation

RESALE MARKET

RESALE MARKET BUOYANT IN 2003

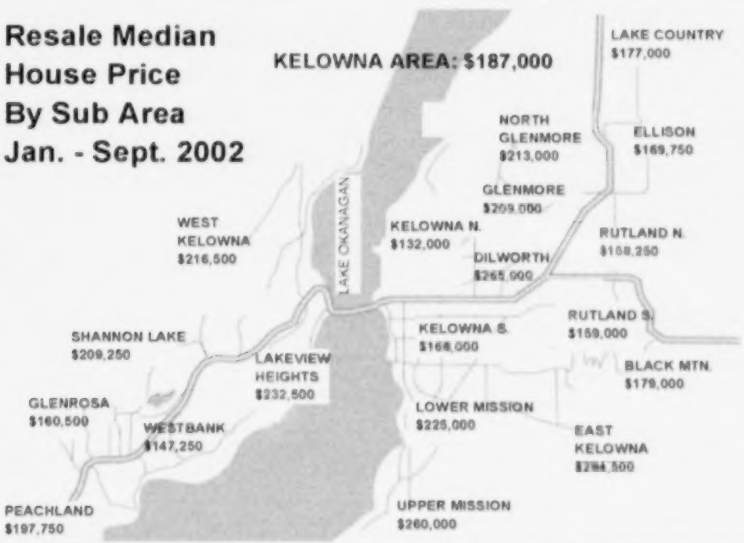
The Kelowna area resale market will see another robust performance in 2003. Expect sales to drop back ***slightly*** after soaring to near record high levels this year.

The demand outlook for both new and resale housing remains positive. An aging population points to steadily rising demand for retiree, seniors' and lifestyle-oriented housing, the latter emerging as an exceptionally strong performer this year. Pent-up demand, triggered by low interest rates will also remain a key driver in 2003.

The BC economy is poised to see stronger growth in 2003. The outflow of BC residents to Alberta and Ontario has begun to slow. Also, a strong Vancouver real estate market has meant more buyers from the lower mainland. Kelowna's diversified economy continues to expand despite big job losses in some sectors. Kelowna remains among the fastest growing larger centres in BC. Though good news, some downside risk remains. A sluggish US economy - BC's biggest export market and struggling forest products industry may dampen prospects for short-term employment growth. Expect mortgage interest rates to begin edging up next year.

Demand outlook positive ...
Resale market strong in 2003.

Resale Median House Price By Sub Area Jan. - Sept. 2002



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HOUSING MARKET OUTLOOK is CMHC's bi-annual forecast for new and resale home markets. Issues are released in the spring and fall each year.

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HOME TO CANADIANS
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Higher interest rates and upward pressure on price levels will take a bite out of affordability in 2003.

The resale singles market will maintain a brisk pace in 2003. Singles sales will jump 27% to 2800 units this year - the highest level in over a decade. All sub-market locations have seen big increases.
Expect sales to flatten out,

Demand shifts to move-up buyer market in 2002.

easing back in response to slightly higher interest rates, rising prices and sharply reduced supply and selection of listings.

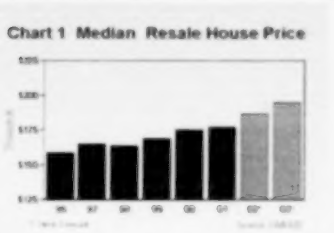
Demand has shifted back to the move-up buyer market following last year's surge in first-time buyer activity. The $200,000 plus price ranges accounted for almost 44% of all singles sales by September 2002, up from 34% last year. First-time buyer activity has leveled out, held in check by rising prices and fewer listings among the lower and mid price ranges. The move-up buyer market will remain the strongest performer in 2003.

The supply of singles listings has dropped to a ten year low. Supply and selection is down in all sub-market locations. The lower and mid price ranges have seen the biggest decline. List prices are up sharply from last year. Rising prices will draw more sellers into the market place next year. Though seeing ***some*** improvement, the supply of listings will remain low in 2003.

Prices are on the rise, gains extending across all price ranges and locations. The median resale house price will jump six per cent this year to $187,000 from $177,000 in 2001, the biggest increase since the mid 1990s. Strong demand will keep supply down, pushing up prices again in 2003. Look for more moderate price increases next year, the median resale house price climbing to $195,000 by year-end 2003.

Southeast Kelowna, the Mission area, Dilworth Mountain and sections of Lakeview Heights and West Kelowna command the highest prices. The core area, Rutland, Glenrosa and Westbank at $132,000-$168,000 remain the most affordable locations.

Apartment and townhouse condominium sales are up sharply, last year's upswing carrying over into 2002. More first-time buyers turned to the condominium market as the supply of lower priced singles listings was drawn down. Also, few new condos were available

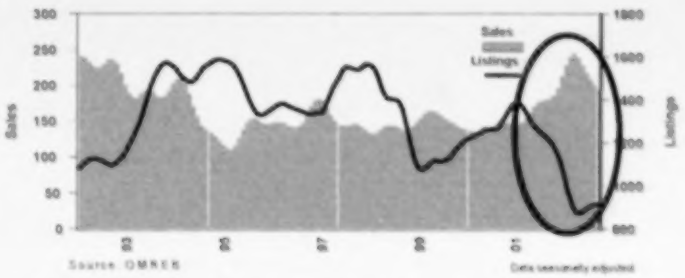


Prices are on the rise.

last year or in the first half of 2002. Rising rents, tight rental market conditions and low cost of financing have triggered more interest from investors. The median resale price of both apartment and townhouse condos is up nine per cent to date this year. With the supply of listings down by almost half from a year ago, expect prices to continue rising through 2003.
Resale gated community housing - strong perfomers, will face more competition from the new home market next year.

The Kelowna resale market has shifted from a buyers, through balanced to a sellers market position in just two years.

Chart 2 - Sales and Listings
Single-Detached units



Expect singles sales to ease back in response to rising prices. Look for another robust performance overall in 2003.

NEW HOME MARKET STRONG IN 2003

The Kelowna area new home market will see more opportunity for expansion in 2003. New home construction, lead by the singles and apartment condo sectors, has surged ahead this year. Housing starts will total 1,500 units in 2002 - a five year high. Look for smaller gains in 2003.

With resale house prices on the rise and supply of listings at ten year lows, more buyers will turn

Move-up buyers, retirees and "lifestylers" focus of new home demand ....

to the new home market in 2003. Inventories of new and unsold units - all types, are low. Also, pre sales among units currently under construction - both singles and multiples are high.

The singles sector will see another strong performance, this year's big upswing carrying over into 2003. Expect mid to higher priced homes, fueled by strong move-up, retiree and "lifestyler" markets, to remain the focus of demand. The $300,000 plus price range will capture 30% of the new home market this year. Houses priced at less than $200,000 will account for only 20% of new singles absorbed at completion, down from 55% in 1997.

Upper Mission, Dilworth Mountain, Southeast Kelowna, and Lakeview Heights remain locations of choice for buyers seeking more upscale housing.

Look for a few more first-time ***new*** home buyers in 2003. Builders have achieved some success targeting the "upper -end" first-time buyer market, building more upscale units in the $200,000-$240,000 price range. Small lot homes are now generating more interest. High land development and other costs remain big challenges for builders trying to penetrate this segment of the market.

Westside locations continue to offer the biggest supply of entry level new homes. Smaller pockets of lower priced homes are available in Black Mountain and South Kelowna.

Absorption has kept pace with completions, keeping inventories

Last year's big upswing will carry over into 2003 ... look for smaller gains next year.

low. Unlike in previous upswings, the market is seeing few homes built on speculation.

Buyers are looking for "people friendly", aesthetically appealing developments - regardless of price, offering both attractive lifestyle and comfortable neighbourhood feel. Lake and valley view properties remain strong performers.

Strong demand for more upscale housing and rising lot prices have kept the cost of new homes high. The median new house price has held steady at $260,000 to date in 2002, unchanged from last year.

The supply of building lots - in all price ranges has been drawn down. Though new developments and additional phases to existing subdivisions are currently under construction, most are targeting the mid to upper price ranges. The supply of lots priced at less than $70,000 - mostly inventory dating from the late 1990s, has been largely depleted. The shortage is widespread, now extending to Westside locations, long the biggest source of affordably priced lots.

Supply of building lots - all price ranges drawn down ...

Higher land development costs, leap-frogging past lands in the Agricultural Land Reserve, Development Cost Charges and more costly hillside development have all contributed to higher lot prices. Smaller lot sizes have helped reduce the full impact of rising development costs. Higher lot prices will continue to push up the cost of new housing. The median lot sale price (MLS sales only) has remained unchanged this year at $80,000 following big increases in 1999/2000.

The apartment condo market has rebounded sharply, surging ahead in response low inventories, reduced supply of resale listings and pent-up demand. Most projects are targeting the high-end retiree and resort/lifestyle markets. The focus is on lifestyle - high quality, large unit sizes, extensive, often unique amenity packages, lakefront locations and or good lake/city/valleyviews - pushing the price envelope to new highs. Pre-sales have been strong. With more projects slated to come on stream, the apartment condo market will, however, become ***increasingly*** competi- tive in 2003.

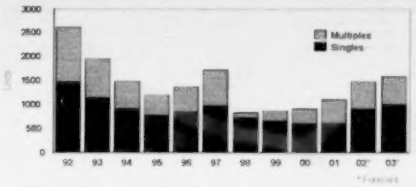
Apartment condo market rebounds sharply ...

Two new adult-oriented gated communities - the first since 1998, have come on stream this year. Look for more lower density projects targeting mainly retiree and move-down buyers in 2003. More first-time buyers will turn to the new condo market as prices of resale singles and condos rise and listings decline. This segment of the first-time buyer market remains largely untapped and may offer some development potential.

Slightly higher vacancy rates, smaller subsidy allocations and competing residential development alternatives will mean few rental housing starts this year and next.

The congregate housing market remains adequately supplied and intensely competitive. Major changes to provincial health care policies, including the delivery of seniors' care and housing, may create more development opportunities for congregate style housing in 2003/2004.

Chart 3 Kelowna Housing Starts

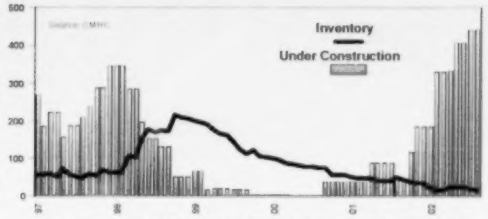


Housing starts post smaller gains in 2003.

Kelowna's apartment condo market has surged ahead in 2002 , driven mainly by niche market buyers ...

Big pent-up demand among retirees and buyers seeking resort and more lifestyle-oriented units has been the key driver - boosting condo starts to the highest level since 1997. Many are second residences or purchased in anticipation of retirement. Most new projects have targeted the higher price ranges. Buyers are looking for prime locations, good lake or valley views, sensible building and unit layouts, good quality and amenities that actually contribute to livability. "Cookie cutter units", superfluous amenities or gimmickry are definitely out! Pre sales have been brisk, lakefront condos the biggest sellers. Though remaining a strong performer, this segment of the condo market, will become ***increasingly competitive*** next year.

Condo Market Rebounds in 2002/2003



Condo starts shoot up in response to strong demand, low inventories and sharply reduced supply of resale listings.

VACANCY RATE EDGES UP IN 2002

The Kelowna area vacancy rate will edge back up in 2002, rising to 1.75%-2.0% by year-end. The vacancy rate dropped to only 1.3% in 2001, an eight year low. The rental market remains tight despite the increase.

Strong competition from the home ownership market and big additions to the stock of rental housing in 2000 and 2001 point to slightly higher vacancy rates this year. Also, job losses in the manufacturing, telecommunications and public service sectors, have lead to some out-migration.

Vacancy rate edges up in 2002 ... rental market remains tight ...

Expect vacancy rates to begin trending back down in 2003. The outflow of renters to the ownership market will slow in the face of higher interest rates, rising prices and reduced supply of lower priced listings.

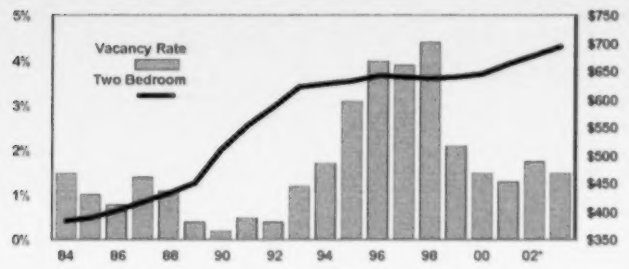
Rents will continue to rise in 2002. Rents increased sharply last year, shooting up in response to sustained low vacancy rates. Apartment rents saw the biggest across-the-board increases since 1994. Average one and two bedroom apartment rents jumped 2.8% and 3.4% to $541 and $663 per month, respectively. Rents will increase another 2.5%-3.0% this year.

Slightly higher vacancy rates and smaller subsidy allocations will mean fewer rental housing starts this year. High land and land development costs and scarcity of sites remain big challenges for builders. Also, with demand for condominiums on the upswing, builders have more residential development choices. Declining vacancy rates, rising rents, low interest rates and big subsidy allocations boosted rental construction in both 2000 and 2001. Most private sector projects were quality buildings targeting higher end renters.

Rents up again in 2002.

Look for development opportunities in Westbank and areas experiencing strong employment growth - Orchard Park and the Highway 97 and 33 and Springfield Road corridors .

Chart 4 Vacancy Rate and Two Bedroom Apartment Rent



Vacancy rate edges up in 2002 - Rental market remains tight. Low vacancy rates mean higher rents this year and next.

RENTAL MARKET INFORMATION

The Kelowna Rental Market Survey Report gives you the latest trends in vacancy rates and average rents for all apartment and townhouse structures of three or more units. To get ahead of your competition subscribe to ***FASTFAX*** and receive survey results the day they are released.

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ECONOMY AND POPULATION GROW IN 2003

The Kelowna area economy and population will continue to grow in 2003.

The BC economy has seen a mixed performance this year. Domestic demand - real estate, retail sales and business and personal services has been strong, generating significant employment growth - good news. Weak commodity prices have lead to falling exports and job losses among resource industries. Look for stronger employment growth as the tourism sector recovers from 911 and demand for BC exports picks up in 2003 and 2004.

Tourism, high tech, health care, retail, business and personal services remain growth sectors ....

Closer to home, Kelowna's more diversified economy has helped soften the impact of Western Star's shutdown and job losses in the telecommunications and public service sectors. Kelowna remains well positioned to benefit from emerging high growth sectors including the high tech, health care, tourism, retail and business and personal service sectors.

Residential construction is on the rise, helping offset a drop in non-residential construction activity. Tourism, though down in the wake of 9/11, remains a big growth sector. More cross border "rubber tire" traffic has helped offset reduced air travel. The low Canadian dollar and fewer security concerns remain a big draw for American travelers. Ski, golf and other Okanagan resort destinations continue to expand. Small business and self-employment are becoming the biggest sources of Kelowna area job creation.

Inter-provincial migration - a key source of Kelowna area population growth and housing demand, has slowly begun to turn around. BC is expected to see a net inflow by 2004. A resurgent Vancouver real estate market has lead to more migrants from the Lower Mainland. Also, Kelowna will continue to benefit from a province-wide trend towards urbanization - an outflow of people from rural areas to larger urban centres. BC remains the preferred destination among retirees in Ontario and the prairie provinces. Also, more Canadian retirees and others seeking resort/lifestyle-oriented housing are looking at domestic markets, affordable alternatives to the southern United States and elsewhere. The Kelowna area population will grow by 1.5% this year and 1.5%-2.0% in 2003.

Expect mortgage rates to begin trending up in 2003.

Volatile financial markets have helped boost interest in real estate.

Expect mortgage interest rates to begin trending up in 2003, moving in tandem with bond markets. The one, three and five year rates are forecast at 5.16-6.75, 6.15-8.36 and 6.85-8.77 per cent, respectively.

Chart 5 Mortgage Interest Rates

Mortgage interest rates begin to trend up 2003.

HOUSING MARKET OVERVIEW

Resale Market Remains Strong in 2003

- The Kelowna area resale market will record another strong performance in 2003. Sales will drop back slightly in response to higher interest rates, rising prices and sharply reduced supply of listings. Expect sales to reach near record highs in 2002. The supply of listings - all types, plummeted to an eleven year low this year. Supply will edge back up as higher prices draw more sellers into the market place, but remain low overall. Prices are up in 2002, singles and apartment and row condos seeing the biggest increases since the mid 1990s. Strong demand will keep supply down, pushing prices up again in 2003.

New Home Market Buoyant ... Smaller Gains in 2003

- The New home market will remain buoyant, this year's upswing carrying over into 2003. Inventories of complete and unsold units- all types, are low. With resale house prices trending up and supply down sharply, more buyers will turn to the new home market. Housing starts, lead by the singles and apartment condo sectors will total 1,500 units in 2002, a five year high. Look for smaller gains in 2003.
- The move-up, retiree and move-down markets - mid to higher priced homes, will remain the focus of demand in 2003. Look for a few more first-time ***new*** home buyers next year.
- The apartment condominium market rebounded sharply in 2002, fueled by strong retiree and resort/lifestyler markets. With more projects slated to comes stream, the apartment condo market will become **increasingly competitive** next year. Look for more lower density projects targeting retirees and move-down buyers in 2003. Expect more first-time buyers to turn to the new condo market as resale prices rise.
- Pent-up demand, triggered by low interest rates, will remain the key driver in 2003. An aging population points to steadily rising demand for retiree and resort/lifestyle oriented housing.
- The Kelowna area economy and population will continue to grow in 2003. Tourism, high tech, residential construction, retail sales and personal and business services remain the biggest sources of new jobs.
- Mortgage rates will begin to trend up in 2003.

Rental Market Remains Tight in 2002 and 2003

- The Kelowna rental market will remain tight, the vacancy rate edging up to 1.75%-2.0% in 2002. Some outflow of renters to the home ownership market and job losses point to slightly higher vacancy rates this year. Expect the vacancy rate to drop back down in 2003. Rents will continue to rise in response to sustained low vacancy rates. Smaller subsidy allocations will mean fewer rental housing starts this year and next.

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FORECAST SUMMARY

Kelowna Area
Fall 2002

RESALE MARKET	2000	2001	2002*	2003*	% CHG.
MLS Active Listings (Sept.) **	1,651	1,498	1,212	1,325	9%
MLS Sales					
Total	2,421	2,882	3,640	3,300	(9)%
Single-Family	1,865	2,212	2,800	2,525	(10)%
Apartment	318	374	500	450	(10)%
Townhouse	238	296	340	325	(4)%
MLS Median Price					
Single-Family	$175,000	$177,000	$187,000	$195,000	4.3%
Apartment	$99,000	$95,000	$105,000	$110,000	4.8%
Townhouse	$139,900	$132,500	$142,500	$145,000	1.8%
NEW HOME MARKET					
Complete and Unoccupied (Sept.)	185	128	61	95	56%
Single-Family	70	68	38	55	45%
Multi-Family	115	60	23	40	74%
Starts					
Total	928	1,111	1,500	1,600	7%
Single-Family	603	625	920	1,020	11%
Multi-Family	325	486	580	580	-
Median New House Price	$229,000	$260,000	$260,000	$260,000	-
Rental Market					
Vacancy Rate	1.5%	1.3%	1.75%-2.0%	1.25%-1.5	
Rental Rate - % Chg. two bedroom	0.5%	2.8%	2.5%-3.0%	3.0%-3.5%	
Rental Housing Starts***	194	213	70	50	
ECONOMIC OVERVIEW					
Mortgage Rate (3 year term)	8.17%	6.88%	6.36%	6.15-8.36%	
Mortgage Rate (5 year term)	8.35%	7.41%	7.07%	6.85-8.77%	
Net Migration	2,350	2,500	2,750	3,250	

* Forecast. ** Single-detached, apartment and townhouse. *** Privately and publically initiated units. Source: CMHC, Okanagan Mainline Real Estate Board.

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